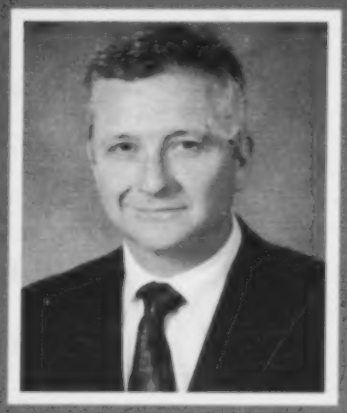
ISLAND INVESTMENT DEVELOPMENT INC.

2015-2016 Annual Report



Heath MacDonald was first elected to the provincial legislature on May 4, 2015 representing District 16 - Cornwall/Meadowbank. He was subsequently appointed Minister of Economic Development and Tourism on May 19, 2015.

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Message from the Minister

September 19, 2016

The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

Pursuant to the Annual Reporting Framework of the Financial Administration Act governing Crown Corporations, I am pleased to present to you, the Annual Report of Island Investment Development Inc. for the fiscal year ending March 31, 2016.

Building the population continues to play a significant role in the economic development and expansion of cultural diversity within our province. As the Minister responsible for Island Investment Development Inc., I am pleased with the results the Agency has accomplished in the past year in the interests of growing the population and contributing to the enrichment of cultural diversity in Prince Edward Island.

Sincerely yours,

Hon. J. Heath MacDonald
Minister of Economic Development and Tourism

Message from the Executive Director

September 19, 2016

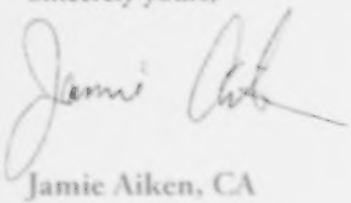
The Honourable J. Heath MacDonald
Minister of Economic Development and Tourism
Province of Prince Edward Island

Dear Minister:

I present to you the Annual Report for the fiscal year ending March 31, 2016.

This Annual Report is being presented pursuant to the *Island Investment Development Inc. Act.*

Sincerely yours,



Jamie Aiken, CA
Executive Director

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Island Investment Development Inc. (IIDI) is a crown corporation under the *Department of Economic Development and Tourism*. IIDI is responsible for the delivery of the *Prince Edward Island Provincial Nominee Program* (PNP). The PEI PNP is a Federal-Provincial partnership between the *Province of Prince Edward Island* and the *Government of Canada*, represented by *Immigration, Refugees and Citizenship Canada* (IRCC). The PEI PNP enables the Province of Prince Edward Island to nominate potential newcomer applicants to IRCC for Permanent Residency to Canada.

In May 2015, the *Office of Immigration, Settlement and Population* was restructured as part of an overall government departmental re-organization. The *recruitment, retention, and settlement team* are now part of the *Department of Workforce and Advanced Learning*. IIDI, including the administration of the *PEI Provincial Nominee Program* and the *PEI Century 2000 Fund* operates as part of the *Department of Economic Development and Tourism*. IIDI's services can be accessed through our website www.immigratepei.ca.

IIDI primarily uses the *PEI Provincial Nominee Program* (PEI PNP) to attract foreign nationals to the Province. The PEI PNP has been an important part of meeting PEI's population, labour market, and economic needs by assisting qualified individuals to obtain permanent residency. Over the past fiscal year the PEI PNP nominated 714 candidates from 65 countries around the world. IIDI works closely with various stakeholders, particularly local employers, to identify labour market gaps and promote PEI as a destination of choice that boasts rewarding career opportunities and offers a business community that is supportive of new entrepreneurs and skilled workers.

Subsequent to year end, the province's *2016 Speech From the Throne* highlighted the provincial government's target of population growth to 150,000 residents by the end of 2017; this would be developed through repatriation, retention, and recruitment. In July 2016, a partnership was also announced between the federal government and the four Atlantic Canadian provinces to launch a new *Atlantic growth strategy* aimed at stimulating economic development and increased job opportunities in the region. Part of the plan includes a three-year immigration pilot program which aims to increase the number of new immigrants to the region.

IIDI provides financial support to the *PEI Connectors Program* which connects immigrant entrepreneurs to local business and community leaders. IIDI also funds and participates in various activities that foster integration such as diversity events, language training, business community outreach tours, and newcomer guides.

IIDI also administers the *PEI Century 2000 Fund*, which was created to support the growth and needs of the private sector and stimulate economic development. Through this fund, IIDI invests federal immigrant funds through low interest financing to PEI businesses where there will be significant economic benefit to the Province.

Island Investment Development Inc. (IIDI) est une société de la Couronne qui relève du *ministère du Développement économique et du Tourisme*. Elle est chargée de la prestation du *Programme des candidats de la province* (PCP) de *l'Île-du-Prince-Édouard*. Ce programme est le fruit d'un partenariat entre la province de *l'Île-du-Prince-Édouard* et le *gouvernement du Canada*, représenté par *Immigration, Réfugiés et Citoyenneté Canada* (IRCC). Le PCP de l'Î.-P.-É. permet à la province de l'Île-du-Prince-Édouard de désigner à IRCC des candidats potentiels nouvellement arrivés aux fins de l'obtention de la résidence permanente au Canada.

En mai 2015, le *Bureau de l'immigration, de l'établissement et de la croissance démographique* a été restructuré dans le cadre d'une réorganisation des ministères provinciaux. L'équipe du *recrutement, de la rétention et de l'établissement* fait maintenant partie du *ministère de la Main-d'œuvre et des Études supérieures*. L'IIDI, y compris le *Programme des candidats de la province de l'Î.-P.-É.* et le *Fonds Century 2000*, fait maintenant partie du *ministère du Développement économique et du Tourisme*. Il est possible d'accéder aux services offerts par l'IIDI sur son site Web à www.immigratepei.ca.

L'IIDI se sert principalement du *Programme des candidats de la province de l'Île-du-Prince-Édouard* (PCP de l'Î.-P.-É.) pour attirer les ressortissants étrangers. Ce programme aide à répondre aux besoins économiques de la province et à combler ses lacunes en matière de population et de main-d'œuvre en proposant des personnes qualifiées pour la résidence permanente au Canada. Au cours du dernier exercice financier, le PCP de l'Î.-P.-É. a proposé 714 candidats provenant de 65 pays du monde entier. L'IIDI travaille de près avec divers intervenants, notamment les employeurs de l'Île, pour identifier les lacunes sur le marché du travail et promouvoir l'Î.-P.-É. comme destination de choix en faisant valoir ses possibilités de carrière intéressantes et sa communauté d'affaires qui appuie les nouveaux entrepreneurs et les travailleurs qualifiés.

Suivant la fin de l'exercice, le discours du Trône de 2016 a mis en relief l'objectif que le gouvernement provincial s'est fixé en matière de croissance démographique, c'est-à-dire 150000 résidents d'ici la fin de 2017; on y parviendra grâce au rapatriement, à la rétention et au recrutement. En juillet 2016, un partenariat a été annoncé entre le gouvernement fédéral et les quatre provinces de l'Atlantique pour le lancement d'une nouvelle stratégie de croissance pour l'Atlantique visant à stimuler le développement économique et à augmenter les perspectives d'emploi dans la région. Un projet pilote triennal en matière d'immigration, qui vise à augmenter le nombre d'immigrants à la région, fait partie de ce plan.

L'IIDI fournit un appui financier au programme LIENS Î.-P.-É., qui rapproche les entrepreneurs immigrants aux chefs d'entreprises et dirigeants communautaires locaux. En outre, l'IIDI prend part et offre du financement à diverses initiatives appuyant l'intégration comme des activités portant sur la diversité, la formation linguistique, l'extension de services aux entreprises, et des guides pour les nouveaux arrivants.

L'IIDI administre également le *Fonds Century 2000 de l'Île-du-Prince-Édouard*, conçu pour appuyer la croissance et les besoins du secteur privé et stimuler le développement économique. Pour ce faire, l'IIDI investit des fonds fédéraux dans les entreprises de l'Île en leur offrant du financement à faible taux d'intérêt lorsque d'importantes retombées économiques entrent en jeu pour la province.

Overview

Island Investment Development Inc. (IIDI) is a crown corporation operating within the *Department of Economic Development and Tourism.* IIDI, operating as the *Office of Immigration*, is responsible for the delivery of the *Prince Edward Island Provincial Nominee Program* (PEI PNP). The PEI PNP is a Federal-Provincial partnership between the *Province of PEI* and the *Government of Canada*, represented by *Immigration, Refugees and Citizenship Canada* (IRCC). The PEI PNP enables the Province of Prince Edward Island to nominate foreign nationals to IRCC for Permanent Residency to Canada. IIDI's services can be accessed through the website www.immigratepei.ca.

IIDI is also responsible for making strategic loans to PEI businesses through the *PEI Century 2000 Fund Inc.* (PEICF).

Legislative Responsibility

IIDI is responsible for administering the *Island Investment Development Act.*

Objectives

IIDI initiatives are driven by the following objectives:

- **Stimulate economic development through lending to support the growth and needs of the private sector;**
- **Create awareness of PEI as a place to live, work, and prosper;**
- **Foster relationships and support services for connecting employers with foreign national employees;**
- **Provide coordination and funding to various stakeholders delivering services to newcomers;**
- **Administer the PEI PNP;**
- **Support immigrant entrepreneurs in the establishment of their business;**
- **Grow the provincial population to 150,000 by the end of 2017.**

Mission

IIDI's mission is to effectively and efficiently deliver adaptive programs and services that will facilitate economic growth through lending operations, the attraction, settlement, integration, and retention of newcomers while also working with the *Department of Workforce and Advanced Learning* to encourage population retention for all Islanders. IIDI endeavors to make PEI a destination of choice for newcomers by attracting applicants that are best-suited to adapt and positively contribute to the province's unique economy and culture.

Vision

IIDI is responsible for immigration, settlement, retention, and works collaboratively with the *Department of Workforce and Advanced Learning* toward overall population growth in PEI. IIDI works closely with stakeholders to provide programs and services designed to help create economic growth opportunities and address labour market issues while facilitating successful attraction, settlement, integration and retention of newcomers to the Island. IIDI's programs and services also extend to Islanders, both within and outside of the province, and to Canadians looking for opportunities in PEI.

Provincial Nominee Program

The PEI PNP was established in 2001 through the Agreement for Canada-Prince Edward Island Co-operation on Immigration. Through this agreement, the province has taken a key role in setting its own immigration criteria and objectives. This program allows IIDI the ability to nominate foreign nationals to IRCC for permanent residency. IRCC still holds the ultimate decision and assesses every applicant and their family for admissibility. The PEI PNP has been an important tool which assists the province in meeting PEI's population, labour market, and economic needs.

Every province strives to attract skilled individuals to help support their economic and population growth targets, and the PNP is an important tool for this purpose. The PNP is even more important for PEI due to the historically low numbers of immigrants who come to PEI through federal programs. Since 2006 more than 90% of all newcomers who have come to PEI through an economic immigration program have been through the PNP.

The PEI PNP includes three primary categories with different streams to address the specific business development and labour needs of the PEI economy. The three categories are the Business Impact Category, the Labour Impact Category, and the Express Entry Category. The PEI PNP establishes nomination targets for each category under the program based on the province's priorities.

Business Impact Category

The *Business Impact Category* provides a pathway to permanent residency to foreign nationals who are planning to own and operate a business on PEI. This category aims to attract applicants with sufficient financial resources who have either a history of business ownership or high-level management experience. Similar to the other Atlantic Provinces, the PEI economy is based on Small- and Medium- sized businesses, which account for 99.8%[1] of all businesses in PEI. This category allows the province to attract new business owners to help stimulate economic development.

There are three streams from which an applicant can choose: the *100% Ownership Stream*, the *Partial Ownership Stream*, and the *Work Permit Stream*:

100% Ownership Stream
Aims to attract foreign nationals who plan to invest in and actively manage a business in Prince Edward Island by starting a new business or purchasing an existing business. Through this stream applicants apply to the PEI PNP and, if approved, must sign an agreement and submit an escrow deposit to the province prior to being nominated. This deposit is fully refundable when the applicant meets the terms and conditions of their escrow agreement.

Partial Ownership Stream
Is designed similarly to the *100% Ownership Stream*, but is designed to attract applicants who wish to transition into the Prince Edward Island business community by becoming a part owner and active manager in an existing PEI business. Through this stream the applicant must obtain at least 33 1/3% of the business' equity or invest at least $1,000,000 into the business. The *Partial Ownership Stream* provides new investments into the province's business community to grow existing companies and expand into new market opportunities.

Work Permit Stream
Allows applicants to come to PEI and purchase or start their business prior to being nominated by

[1]Statistics Canada, Business Register, December 2015

the Province. Through this stream, the applicant applies to IIDI and, if approved, is issued a letter of support for a work permit. The applicant and their family is then able to move to PEI and start their business and when they meet the terms and conditions of their *Performance Agreement*, they are nominated for permanent residency.

Labour Impact Category

The *Labour Impact Category* focuses on the evolving labour market needs of PEI's businesses. While PEI's labour force is quite small and many industries are seasonal, labour market gaps are a reality and finding new employees within Canada who have the right skill sets can be a challenge for many businesses. Per *Statistics Canada*, PEI historically has a relatively high participation rate, usually at or above the Canadian average, and historically the highest in Atlantic Canada.

The *Labour Impact Category* provides pathways to permanent residency for foreign nationals who have a valid long-term job offer from a PEI company who has exhausted all avenues of finding an Islander or other Canadian willing and able to do the job. Typically, the foreign national is already living and working in PEI on a work permit prior to applying for nomination. There are three streams in this Category: the *Skilled Worker Stream*; the *Critical Worker Stream*; and the *International Graduate Stream*.

Skilled Worker Stream

Developed to attract and retain highly skilled workers to the province to fill employer-identified labour market shortages. Skill levels that can apply through this program are identified through the *National Occupational Classification* (NOC) as *skill levels O, A*, or *B*. These positions typically requirement post-secondary education and/or extensive experience in the area. Some sectors that historically used this stream to help fill labour shortages include *Information Technology, Restaurant* and *Tourism, Aerospace, Agriculture*, and *Health Care*.

Critical Worker Stream

Helps to facilitate filling long-term labour market shortages in occupations that fall under NOC *skill level C* or *D*. These occupations typically require a high school education and/or on-the-job training. PEI businesses that have hired a foreign national may support that person to obtain permanent residency to Canada through this stream providing that person has worked for them on a valid work permit for at least 6 months. Sectors that use this stream to help address their labour shortages include *Transportation and Logistics, Seafood Processing*, and *Health Care*.

International Graduate Stream

Provides the opportunity for PEI employers to hire recent international graduates from a *publically-funded PEI university or college*. Recent changes by the federal government has streamlined the process for international graduates to obtain open, post-graduate work permits after graduating from an *accredited Canadian post-secondary institution*. This program provides a pathway to permanent residency for those students who have found employment on PEI with an employer who has a demonstrated labour shortage in a skill area that falls under NOC *0, A*, or *B*, and has been working for that employer for *at least 6 months*.

Express Entry Category

IRCC has an electronic application management system that was started in 2015 called Express Entry. The programs that are administered through this system are the Federal Skilled Worker, the Federal Skilled Trades, and the Canadian Experience Class. Applicants are ranked on a number of human capital factors and the top scoring applicants are invited to apply for permanent residency. The primary goals of the Express Entry Category is to eliminate backlogs that IRCC had in these programs, to eliminate the requirement to process files on a first-in, first-out basis, and to overall improve processing times. Through this system only the top ranked applicants are chosen to apply.

IRCC has committed processing times that 80% of applicants will be processed within six months.

When IRCC launched this system, they gave provinces an enhanced allocation to use through Express Entry to nominate individuals who intend to live and work in their province. IIDI launched the Express Entry Category in the Spring of 2015 and nominated their first applicant in April 2015. Applicants through this stream must meet the criteria of at least one of the federal programs mentioned above that are administered through the system, and have expressed their interest to live and work in PEI. IIDI then selects individuals that meet the needs of the province's labour market and invites them to make a formal application.

Express Entry provides another pathway for permanent residency for high-skilled foreign nationals who wish to live and work in PEI. The full suite of immigration programs offered by IIDI ensures the ability to attract top talent and to allow a pathway to permanent residency for virtually all foreign nationals who want to live and work and are filling identified labour market needs.

Program Statistics and Results

The Province is given an annual allocation from IRCC, which is the maximum number of nomination certificates IIDI can use in a year. A nomination certificate represents a family unit. Allocations are given on a calendar year basis, and in both 2015 and 2016 the allocation for PEI was 850. This allocation is further divided between the traditional PNP streams, called "base allocation", which was 500, and the Express Entry stream, called "enhanced allocation", which was 350. Since 2011 the current PEI PNP has nominated 2,297 applicants to IRCC for permanent residency. Details of nominations for this fiscal year, per category, are presented in Table 1.

Table 1: 2015-16 Nominations by Category

Stream	#	%
100% Ownership Stream	298	41.7%
Critical Worker Stream	66	9.2%
Express Entry	283	39.6%
International Graduate Stream	4	0.6%
Skilled Worker Stream	60	8.4%
Work Permit Stream	3	0.4%
Total	714	100%

Selection Factors

IIDI uses a variety of selection factors to ensure candidates meet the program criteria and will have the best chance to economically establish on PEI. Some key factors in influencing the success of an immigrant after landing include age, education, language ability, work experience, and community, which make these key factors to consider when assessing an applicant.

Of the immigrants nominated by PEI over 74% are between the ages of 30 and 49. People in this age bracket are individuals who already have experience in their field of expertise, are able to easily integrate into PEI, and maximize economic benefit. Again, this reinforces the high quality of applicants PEI attracts and nominates.

Of the immigrants being nominated by PEI, the top countries of origin have remained similar over the past number of years. Attracting immigrants from similar backgrounds builds community, strong cultural surroundings and increases successful settlement and retention in our province. Table 2 details the different source countries of nominees for this fiscal year.

The majority of nominees have more than a high-school equivalent education level, with more than 85% of all nominees having 13 or more years of education, and more than 63% having 16 or more years of education.

Table 2: 2015-16 Nominees by Country of Origin

Source Country	#	%
China	281	39.4%
India	145	20.3%
Philippines	46	6.4%
Israel	26	3.6%
Nigeria	21	2.9%
Vietnam	19	2.7%
All Other Countries	176	24.6%
Total	714	100%

Office of Immigration Newcomer Entrepreneur Officer meets with Newcomer Entrepreneurs to discuss their business.

Settlement Initiatives

In May 2015, the *Office of Immigration, Settlement and Population* was restructured as part of an overall government departmental re-organization. The recruitment, retention, and settlement team are now part of the *Department of Workforce and Advanced Learning*. Further information on recruitment, settlement, and retention can be found at **www.opportunitiespei.ca**.

As part of its' mandate, IIDI continues to provide settlement supports for entrepreneurs that immigrate through the *Business Impact Category*. Much of this support is provided for in-house through the *Business Integration Unit*. The staff in this unit meet with the newcomers within one month of them landing in Canada, and then continue to meet with them and answer questions to ensure compliance with their escrow agreements.

IIDI is a funding partner for the *PEI Connectors Program* which connects newcomer entrepreneurs to local business and community leaders to build a network and establish or purchase a business. They do this through hosting one on one meetings, business workshops, community outreach bus tours, and networking events as part of their programming. Subsequent to year end, a *Regional Program Officer* was hired to expand the physical presence of *PEI Connectors* in *Prince County*. This Officer is based in Summerside.

Fund Management, Lending, and Strategic Initiatives

IIDI, through the *PEI Century 2000 Fund Inc.* (PEICF), makes strategic repayable loans to PEI businesses in an effort to stimulate economic development. Prior to the 2014-15 fiscal year, PEICF received repayable advances from the *Federal Immigration Fund* that were used to provide repayable loans to PEI businesses. In 2014, the Federal Government terminated the *Federal Immigrant Investor Program*. IRCC has communicated to all provinces that there will be no accelerated repayment schedule for funds received through the *Immigrant Investor Program*.

General lending conditions associated with PEICF loans are as followed:

- **Loans are available for a term of five years, which matches PEICF's five year term with the Federal Immigration Fund;**
- **Loans bear interest at an annual rate of 4%. The annual rate is comprised of PEICF's cost of borrowing from the Federal Immigration Fund, the cost to administer the loan portfolio and the risk associated with the lending activities;**
- **Renewal financing is available for existing loans for one additional five-year term, using either a floating rate of prime plus a minimum of 1.25% pending on eligibility or a fixed rate equal to the posted five-year rate at a chartered bank;**
- **PEICF seeks similar security packages as would be ordinarily sought by a traditional chartered bank.**

PEICF's lending activities are aligned with provincial priorities and *Innovation PEI's Strategic Sectors*. On occasion PEICF may also finance certain projects that may fall outside of PEI's Strategic Sectors, which have significant economic benefits to the provincial economy. Some examples of PEICF's strategic lending activities include participation in certain major projects undertaken in Summerside, Charlottetown, Morell, Georgetown and other communities across the province which will significantly contribute to the future economic prosperity of these communities and the province.

At fiscal year-end financing approved for several projects remained undisbursed and therefore is not reflected in the value of loans outstanding. In many instances PEICF works in partnership with traditional lending institutions, Federal Government agencies and other local economic development agencies to complete financing packages for projects.

As of March 31, 2016 IIDI acquired 100% of the outstanding common shares of *Slemon Park Corporation*. Slemon Park is a private corporation and is owned 100% by IIDI.

SLEMON PARK
CORPORATION

Appendix A | Board of Directors

Neil Stewart | Chairperson
Deputy Minister | *Department of Economic Development and Tourism*

Jamie Aiken
Executive Director | *IIDI*

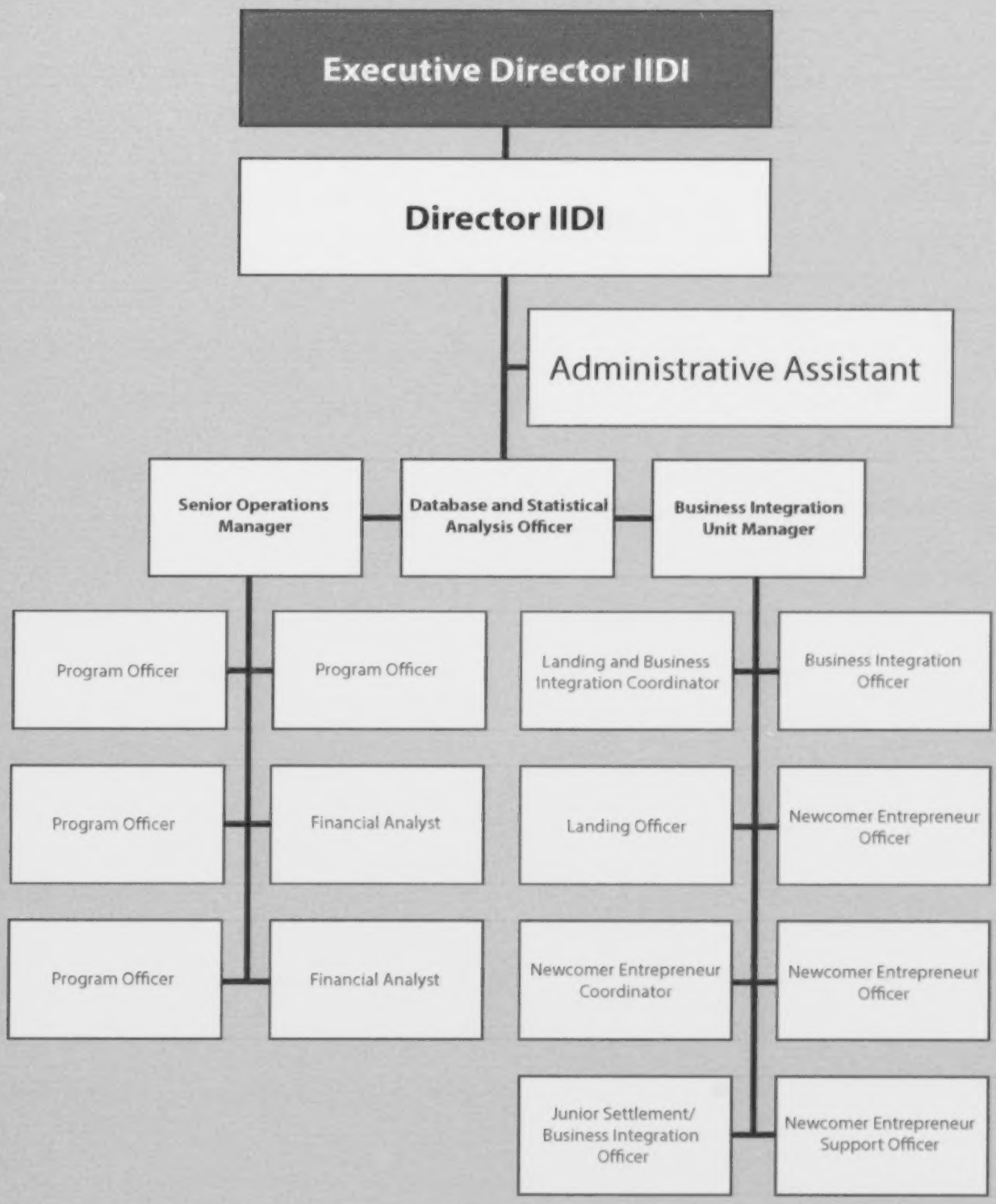
Cheryl Paynter
CEO | *Innovation PEI*

John Jamieson
Deputy Minister | *Department of Agriculture and Fisheries*

Dan Campbell
Secretary | *Treasury Board*

Sharon Cameron
Deputy Minister | *Department of Workforce and Advanced Learning*

Appendix B | Organizational Chart



Appendix C | Audited Financial Statements

Island Investment Development Inc.

Consolidated Financial Statements
March 31, 2016

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

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June 10, 2016

Independent Auditor's Report

To the Board of Directors of
Island Investment Development Inc.

We have audited the accompanying consolidated financial statements of **Island Investment Development Inc.**, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Island Investment Development Inc.** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Island Investment Development Inc.

Consolidated Statement of Financial Position

As at March 31, 2016

	2016 $	2015 $
Assets		
Cash	15,631,041	48,680,325
Marketable securities	63,412,094	65,707,353
Accounts receivable (notes 6 and 14)	1,341,155	125,344
Income taxes receivable	263,533	-
Prepaid expense	71,514	-
Inventory	116,520	-
Demand loan receivable (note 7)	6,998,502	6,998,502
Notes receivable (note 8)	138,886,132	143,639,950
Advances to related company (note 14)	1,462,769	202,896
Investment in private company (note 9)	944,128	373,733
Deferred financing costs (note 10)	2,775,406	4,582,075
Restricted funds (note 11)		
Cash and marketable securities	176,145,736	130,153,190
Property and equipment (Schedule)	9,669,000	-
Goodwill	483,630	-
	418,201,160	400,463,368
Liabilities		
Bank indebtedness	48,889	-
Accounts payable and accrued liabilities (notes 12 and 14)	4,256,397	1,284,096
Notes payable (note 13)	141,312,645	183,582,113
Restricted funds (note 11)	176,145,736	130,153,190
	321,763,667	315,019,399
Contingent liability (note 16)		
Retained earnings	96,437,493	85,443,969
	418,201,160	400,463,368

Approved by the Board of Directors

Director

Director

Arnnault Best Cameron Ellis

Island Investment Development Inc.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2016

	2016 $	2015 $
Retained earnings - Beginning of year	85,443,969	81,212,656
Net earnings for the year	10,993,524	4,231,313
Retained earnings - End of year	96,437,493	85,443,969

Island Investment Development Inc.

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2016

	2016 $	2015 $
Revenue		
Interest on notes and loan receivable (note 14)	6,212,568	6,109,610
Investment income on marketable securities	2,578,486	3,745,496
Provincial Nominee Program fees	3,070,046	2,153,750
Provincial Nominee Program defaults (note 11)	5,090,000	1,225,000
Miscellaneous revenue	263,609	29,400
	17,214,709	13,263,256
Expenses		
Salaries (note 14)	807,300	1,315,729
Management fees (note 14)	535,000	535,000
Interest and bank charges	1,961	5,858
Interest on notes payable (note 14)	168,967	189,947
Professional fees	229,656	180,016
Office	28,238	40,727
Meetings and conferences	17,665	37,768
Promotion and advertising	4,937	62,877
Equipment	20,744	25,096
Provision for possible losses	5,242,423	3,679,625
Consulting fees	42,884	86,097
Travel	36,639	99,494
Grants - private companies	39,400	895,781
Education contribution	34,266	15,053
Rent (note 14)	50,000	50,000
Amortization of deferred financing costs	1,871,533	2,517,281
	9,131,613	9,736,349
Operating earnings	8,083,096	3,526,907
Other income (expense)		
Unrealized gain (loss) on marketable securities	(69,921)	704,406
Gain on remeasurement of investment in business combination (note 17)	2,980,349	-
	2,910,428	704,406
Net earnings for the year	10,993,524	4,231,313

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2016

	2016 $	2015 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	10,993,524	4,231,313
Items not affecting cash		
Amortization of deferred financing costs	1,871,533	2,517,281
Loss on remeasurement of investment in business combination	(2,980,349)	-
Unrealized loss (gain) on marketable securities	69,921	(704,406)
Provision for possible losses	5,242,423	3,679,625
	15,197,052	9,723,813
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(638,479)	17,428
Increase (decrease) in accounts payable and accrued liabilities	1,547,430	(50,204)
	16,106,003	9,691,037
Financing activities		
Cash recognized on business combination	163,033	-
Decrease in notes payable - net	(49,199,819)	(31,910,004)
Decrease in advances to related company	1,169,677	3,674,750
	(47,867,109)	(28,235,254)
Investing activities		
Increase in investment in private company	(489,968)	(212,525)
Decrease in marketable securities - net	2,225,338	57,238,126
Increase in restricted funds - cash and marketable securities	(45,992,546)	(44,504,208)
Increase in restricted funds - liability	45,992,546	44,504,208
Increase in notes receivable - net	(569,032)	(5,604,484)
Increase in trust funds	-	(4,104,897)
Increase in funds on deposit	-	4,104,897
Increase in deferred financing costs	(64,864)	(870,046)
Cash disbursed on business combination	(2,389,652)	-
	(1,288,178)	50,551,071
Increase (decrease) in cash	(33,049,284)	32,006,854
Cash - Beginning of year	48,680,325	16,673,471
Cash - End of year	15,631,041	48,680,325

1 Reporting entity

The company is a provincial Crown corporation established under the provisions of the Island Investment Development Inc. Act and is therefore a non-taxable entity under the provisions of the Income Tax Act.

The company is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies.

The company administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process the applications received.

Island Investment Development Inc.'s head office is located in Charlottetown, Prince Edward Island.

Island Investment Development Inc. prepares its financial statements in compliance with Canadian International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved for issue by the Board of Directors on June 10, 2016.

2 Summary of significant accounting policies

(a) Basis of consolidation

These financial statements include the operations of Island Investment Development Inc. and its wholly-owned subsidiaries, Prince Edward Island Century 2000 Fund Inc. (Century 2000 Fund) and Slemon Park Corporation.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 2(d).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the company's functional currency.

(d) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the company classifies its financial instruments as follows:

- Financial instruments at fair value through profit or loss (FVTPL)

  Financial assets held for trading are reported at FVTPL with changes in fair value reported through the statement of comprehensive income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and effective as a hedging instrument. Transaction costs are expensed.

  Assets in this category includes marketable securities.

- Available for sale ("AFS")

  Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the company's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income.

  Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the company's right to receive payment is established.

  Assets in this category include investment in private company.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

  Assets in this category includes cash, accounts receivable, demand loan receivable, notes receivable and advances to related companies.

- Other financial liabilities

  Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

  Liabilities in this category include accounts payable and accrued liabilities, notes payable and restricted funds.

ii) Impairment of financial instruments

The company determines, at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the company on non-market terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

  For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

  The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of earnings in provision for possible losses expense.

  Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are not longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

- Assets classified as available for sale

  At each statement of financial position date, the company assessed if there is objective evidence that an AFS financial asset may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(e) Cash

Cash consists of cash held in banks.

(f) Inventory

Inventories are valued at the lower of cost and net realizable value, except for oil, which is valued at invoice cost on a first-in, first-out basis. Costs are assigned using the specific item formula for food inventory. Costs include all expenses directly attributable to the purchase and delivery of the product to the Company's location. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(g) Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over the term of the notes payable, which is sixty months.

(h) Property and equipment

Property and equipment is recorded at its fair market value at the date of the business combination.

Purchased capital assets are recorded at cost. Amortization is estimated to be the following over the estimated useful lives of the assets:

Buildings and improvements	4%	declining balance
Motor vehicles	30%	declining balance
Pavement	8%	declining balance
Furniture and equipment	20%	declining balance
Computer equipment	30%	declining balance

(i) Impairment of long-lived assets

The company tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its used and eventual disposition.

(j) Revenue recognition

Investment income is recorded in the period earned.

Interest accrued on notes and loans receivable is recognized as revenue in the period earned.

Provincial Nominee Program fees and interview fees are recorded as revenue when earned.

Provincial Nominee Program defaults are recorded as revenue in the year in which the deposit period ends and the applicant does not meet the conditions for repayment.

Goodwill is only recognized as part of business combinations and is made up of intangible assets with indefinite useful lives that cannot be identified separately. Goodwill is measured at historical cost less any impairment losses. Goodwill is not amortized but is systemically tested for impairment annually or earlier if there is any indication of impairment.

(k) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are with respect to the allowance for loan losses, as detailed in note 4.

(l) Standards issued but not yet effective

As at March 31, 2016, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. These changes are not expected to a have a material impact on the financial statements.

3 Agent agreement

Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company and Crown corporations of other participating provinces by receiving investments from immigrant investors and disbursing them to the provincial Crown corporations in accordance with the allocation formula set out in the federal Immigration Regulations, 1978. All monies received by the Agent pursuant to the issuance of debt obligations are held by the Agent in a separate account from the moment such monies are received, on behalf of the company and the provincial designates. Investments are subject to a commission agreement whereby a 5% commission is paid to the party that facilitates an investment. These commissions are paid out of the special account by the Agent on the first day of the second month following the issuance of a visa to the investor to the party that made the facilitated investment, and are recorded as deferred financing charges by the company.

The Agent disburses the provincial allocation, less applicable commissions, to the company at the beginning of the five-year allocation period. The Agent issues a promissory note to the investor on behalf of the company. The company is obligated to repay the note, bearing interest at 0%, within 30 days after the expiry of the allocation period.

The company is required to repay the investor, through the Agent, the investor's promissory note within 90 days of receipt by the Agent of a request by the investor to withdraw his/her application for permanent residence, or upon the refusal of the application by the Minister.

In the 2014 Federal Government Budget, it was disclosed that Citizenship Immigration Canada (CIC) would be terminating the Federal Immigrant Investor Programs during the 2014 calendar year. Subsequently, CIC has communicated to all provinces that there will be no accelerated repayment schedule for funds received through the Immigrant Investor Program.

4 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal area involving a higher degree of judgment or complexity and/or area which require significant estimates is described below:

Provision for possible losses

The company regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable data inputs are not available, they are estimated based on appropriate assumption. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management.

For investments in private company, consideration was given as to whether or not par value was equal to redemption value and whether the company had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. These investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

5 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2016		2015	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets carried at fair value				
Financial assets held for trading	239,557,830	239,557,830	195,860,543	195,860,543
Assets carried at amortized cost				
Notes, receivables and advances	148,688,558	148,688,558	150,966,692	150,966,692
Cash	15,631,041	15,631,041	48,680,325	48,680,325
Investment available for sale	944,128	944,128	373,733	373,733
	165,263,727	165,263,727	200,020,750	200,020,750
Liabilities carried at amortized cost				
Accounts payable and accrued liabilities	4,256,397	4,256,397	1,284,096	1,284,096
Bank indebtedness	48,889	48,889	-	-
Notes payable	141,312,645	141,312,645	183,582,113	183,582,113
Restricted funds	176,145,736	176,145,736	130,153,190	130,153,190
	321,763,667	321,763,667	315,019,399	315,019,399

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

6 Accounts receivable

	2016 $	2015 $
Trade	1,639,106	173,040
Less: Allowance for doubtful accounts	(297,951)	(47,696)
	1,341,155	125,344

Continuity of allowance for doubtful accounts

	2016 $	2015 $
Balance - Beginning of year	47,696	47,696
Transfer from business combination	250,255	-
Balance - End of year	297,951	47,696

7 Demand loan receivable

The company entered into an agreement with Finance PEI, a provincial Crown corporation, to provide a $15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2016 is $6,998,502 (2015 - $6,998,502).

Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand loan is secured by a promissory note for $15,000,000 and a revolving credit agreement.

8 Notes receivable

	Total $	Impaired loans included in total $	Individual Allowance $	2016 Net $	2015 Net $
Working capital					
Manufacturing and processing	3,177,501	2,494,825	1,836,784	1,340,717	658,041
Tourism	-	-	-	-	-
General business	-	-	-	-	-
	3,177,501	2,494,825	1,836,784	1,340,717	658,041
Long-term loans					
Manufacturing and processing	61,153,828	16,489,916	8,676,576	52,477,252	57,058,415
Technology	1,317,743	1,317,743	200,000	1,117,743	1,172,212
Aerospace	8,922,774	7,559,965	7,559,965	1,362,809	2,110,776
Tourism	15,715,865	1,135,931	428,391	15,287,474	15,771,695
General business	72,138,925	49,051,338	18,070,434	54,068,491	53,934,829
Bioscience	11,478,043	-	-	11,478,043	11,289,370
	170,727,178	75,554,893	34,935,366	135,791,812	141,337,297
Accrued interest	3,880,305	-	2,126,702	1,753,603	1,644,612
	177,784,984	78,049,718	38,898,852	138,886,132	143,639,950

The fair value of the collateral held by the company as security for the impaired loans was $49,985,1262015 - $49,118,336). The company has estimated the fair value of collateral based on an updated assessment of the security appraisal undertaken at the original funding assessment and management's knowledge of local real estate and business market conditions.

Continuity of individual allowance

	Beginning balance $	Provision $	Reversal $	Write-off $	2016 Ending Balance $	2015 Ending Balance $
Working capital						
Manufacturing and processing	1,836,784	-	-	-	1,836,784	1,836,784
Tourism	-	-	-	-	-	-
General business	-	-	-	-	-	-
	1,836,784	-	-	-	1,836,784	1,836,784
Long-term loans						
Manufacturing and processing	9,295,658	89,588	708,670	-	8,676,576	9,295,658
Technology	200,000	-	-	-	200,000	200,000
Aerospace	7,559,965	-	-	-	7,559,965	7,559,965
Tourism	136,391	292,000	-	-	428,391	136,391
General business	13,015,434	5,055,000	-	-	18,070,434	10,911,022
	30,207,448	5,436,588	708,670	-	34,935,366	28,103,036
Accrued interest	1,531,770	594,932	-	-	2,126,702	1,531,770
	33,576,002	6,031,520	708,670	-	38,898,852	31,471,590

Loans past due but not impaired

A loan is considered past due when a payment has not been received by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired as they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired are as follows:

	90 - 120 days $	120 - 150 days $	150 - 180 days $	+180 days $	Total $
As at:					
March 31, 2016	-	-	-	10,589,004	10,589,004
March 31, 2015	-	-	300,000	13,222,440	13,522,440

During the years ended March 31, 2016 and 2015, the company did not acquire any assets in respect of delinquent loans.

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Related party notes:

Included in long-term loans manufacturing and processing are unsecured notes receivable due from Finance PEI of $3,181,9432015 - $3,230,948).

Included in accrued interest is $585,983 2015 - $506,212) from Finance PEI and nil (2015 - nil) due from The Charlottetown Area Development Corporation.

9 Investment in private company

	2016 $	2015 $
Investment in private company Atlantic Canada Regional Venture Fund LP	944,128	454,160
Less: allowance for possible losses	-	(80,427)
	944,128	373,733

Continuity of allowance for doubtful accounts

	2016 $	2015 $
Balance - Beginning of year	80,427	-
Current year provision	(80,427)	80,427
Balance - End of year	-	80,427

10 Deferred financing costs

			2016	2015
	Cost $	Accumulated amortization $	Net $	Net $
Commissions	8,180,945	5,405,539	2,775,406	4,582,075

11 Restricted funds

Restricted funds held in trust consist of the following amounts held under the Provincial Nominee Program:

	2016 $	2015 $
Good Faith deposits	504,073	1,031,527
Entrepreneur Program deposits	100,000	475,000
Language deposits	141,665	301,665
Good Faith deposits - new program	175,099,998	127,724,998
Language deposits - new program	-	20,000
Intermediary deposits	300,000	600,000
	176,145,736	130,153,190

(a) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a good faith deposit agreement with the company. Under this agreement, each applicant deposits $25,000 with their application. The deposit is held for a period of one year from the date the applicant is granted permanent resident status by the Government of Canada. At the end of this period, the deposit is returned to the applicant provided the applicant provides evidence that the conditions set out in the agreement have been met. In the event that the applicant does not meet the conditions for repayment, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, eighteen applicants (2015 - twenty-six applicants) were refunded $450,000 (2015 - $650,000), seven applicants (2015 - twenty-five applicants) defaulted totaling $175,000 (2015 - $625,000) and three applicants (2015 - nil) were reinstated totaling $75,000 (2015 - nil).

b) Certain applicants under the Prince Edward Island Provincial Nominee Program - Entrepreneur Program have entered into an escrow agreement with the company. Under this agreement, each applicant deposits $100,000 until such time as the conditions set out in the escrow agreement have been met. Once the conditions have been met, the deposit is returned to the applicant. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, one applicant (2015 - one applicant) was refunded totaling $750,000 (2015 - $100,000) and three applicants (2015 - one applicant) defaulted totaling $300,000 (2015 - $100,000).

c) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a language proficiency agreement with the company. Under this agreement, each applicant deposits $20,000 with their application. The deposit is held until one year after the applicant is granted permanent residents status by the Government of Canada. Once the conditions of the agreement are met, the deposit is returned to the applicant. If the conditions are not met, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, six (2015 - thirteen) applicants were refunded $120,000 (2015 - $260,000), four (2015 - twenty-five) applicants defaulted totaling $80,000 (2015 - $500,000) and two applicants (2015 - nil) were reinstated totaling $40,000 (2015 - nil). During the year, there was no new applicants in the language deposits - new program (2015 - none) totaling nil (2015 - nil) in deposits and one applicant (2015 - nil) was refunded totaling $20,000 (2015 - nil).

d) Certain applicants under the Prince Edward Island Provincial Nominee Program - Business Impact Category have entered into an escrow agreement with the company. Under this agreement, each applicant deposits $100,000 until such time time as the conditions set out in the escrow agreement have been met. Starting May 23, 2013, deposits under this agreement were increased to $150,000 and, starting April 4, 2014, deposits under this agreement were increased to $200,000. Once the conditions have been met, the deposit is returned to the applicant. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, there were seven applicants before May 23, 2013 (2015 - twenty-one applications) totaling $700,000 (2015 - $2,100,000) in deposits, eleven applicants after May 23, 2013 and before April 4, 2014 (2015 - one hundred and fifty-six) totaling $1,650,000 (2015 - $23,400,015) in deposits and and two hundred and seventy-seven applicants in the program after April 4, 2014 (2015 - one hundred and eleven applicants) totaling $55,400,000 (2015 - $22,200,000). Twenty-eight applicants (2015 - eight) were refunded totaling $3,050,000 (2015 - $850,000), one hundred and seven applicants (2015 - three) were refunded their residency fee totaling $2,675,000 (2015 - $75,000), forty-five applicants (2015 - nil) defaulted totaling $4,500,000 (2015 - nil) and three applicants (2015 - nil) defaulted their residency fee totaling $150,000 (2015 - nil).

The company has internally restricted marketable securities to meet or exceed the restricted funds payable.

12 Accounts payable and accrued liabilities

	2016 $	2015 $
Trade payables and accruals	1,539,840	283,297
Government remittances	35,446	-
Finance PEI	-	260,500
Innovation PEI	343,227	438,734
Province of Prince Edward Island	1,706,214	-
Other	631,670	301,565
	4,256,397	1,284,096

13 Notes payable

	2016 $	2015 $
Prince Edward Island Century 2000 Fund Inc.		
Non-interest bearing notes payable, nominally dated with commencement dates ranging from April 1, 2011 to April 1, 2016, repayable in full in five years from the commencement date pursuant to the federally administered Immigrant Investor Program	129,280,204	177,782,272
Island Investment Development Inc.		
3.11% term loan, due July 6, 2022, to the Province of Prince Edward Island, payable in bi-annual payments of $433,359 including interest	5,065,304	5,758,286
3.11% term loan, due July 6, 2022, to the Province of Prince Edward Island, payable in bi-annual payments of $433,359 including interest	2,389,650	-
Accrued interest payable	36,786	41,555
Slemon Park Corporation		
Prime rate term loan, due in 2018, repayable in monthly instalments of principal of $10,417, plus interest. As specific security for this loan, the Province of PEI has provided a guarantee in the amount of the outstanding loan principal	968,700	-
3.519% term loan, due in 2017, repayable in monthly instalments of principal of $6,409, plus interest	1,018,898	-
3.506% term loan, due in 2017, repayable in monthly instalments of principal of $20,531, plus interest	2,053,103	-
Prime plus 0.75% term loan, due in 2016, repayable in monthly instalments of principal of $2,874, plus interest	500,000	-
	141,312,645	183,582,113

Prince Edward Island Century 2000 Fund Inc.
All notes payable are pursuant to the Immigrant Investor Regulations.

The Province of Prince Edward has provided a guarantee of the notes payable to the Minister of Citizenship and Immigration (Agent) in the event of the failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within 30 days following the end of the allocation period.

Slemon Park Corporation

As additional security for certain long-term debt and an authorized operating line of credit of $900,000, Slemon Park Corporation has provided a location specific general security agreement over all present and future personal property of certain buildings, a floating charge over inventory and appliances of the residential units, an assignment of residential rents, an assignment of specific commercial rents, a first fixed charge mortgage with cash value insurance coverage over the residential units, a collateral mortgage over certain properties and a general assignment of book debts.

The principal payments due on the notes payable over the next five years are as follows:

	$
Year ending March 31, 2017	42,438,311
2018	26,792,672
2019	49,726,331
2020	16,316,843
2022	2,941,763

14 Related party transactions

Related parties

Finance PEI and Innovation PEI are Crown corporations of the Province of Prince Edward Island.

PEI Biocommons Inc. is a subsidiary of a Crown corporation.

Related party balances

Included in accounts receivable is $476,072 (2015 - nil) to the Province of Prince Edward Island.

Advances to related company:

	2016 $	2015 $
Finance PEI	1,462,768	202,896

Advances to related companies are non-interest bearing with no specific terms of repayment.

Transactions

Included in interest on notes and loan receivable is $180,586 (2015 - $207,369) from Finance PEI and nil (2015 - $29,434) from The Charlottetown Area Development Corporation.

Included in expenses are management fees of $535,000 (2015 - $535,000) and rent of $50,000 (2015 - $50,000) to Finance PEI and interest on notes payable of $168,967 (2015 - $189,947) to the Province of Prince Edward Island.

Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2016 and 2015 were as follows:

	2016 $	2015 $
Salaries	198,841	147,204

Key management personnel consist of the executive director, directors and manager needed to administer the programs in Island Investment Development Inc. Certain members of key management are employed under Innovation PEI and the portion of their salary which pertains to the work performed for Island Investment Development Inc. is reflected in the $535,000 (2015 - $535,000) management fee paid to Finance PEI.

15 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2016 amount to $7,811,240 (2015 - $12,838,557).

16 Contingent liability

A statement of claim has been filed against the company that deals with the question of priority interest that the company has in a mortgage that is held as collateral on their notes receivable to a specific organization. There is no amount recorded in these financial statements for the possible effect on the calculation of the allowance for possible credit losses as the potential outcome of the claim is uncertain at this time.

17 Business combination

Acquisition of Slemon Park Corporation

On March 31, 2016, the company acquired all of the shares of Slemon Park Corporation for cash consideration of $2,389,651. The purchase price was financed through a 2.03% debenture due March 31, 2021 to the Province of Prince Edward Island. The company incurred acquisition-related costs of $12,624, representing legal and other fees, which are recognized "Professional fees" in the Statement of Comprehensive Income. Details of the business combination are as follows:

	$
Purchase price settled in cash	2,389,651
Fair value of previously held investment in Slemon Park Corporation	2,980,349
	5,370,000
Fair value of assets acquired:	
Cash and cash equivalents	163,033
Trade and other receivables	952,278
Inventory	116,520
Property and equipment	9,669,000
Bank indebtedness and long-term debt	(4,589,590)
Other liabilities	(1,424,871)
Net assets and liabilities	4,886,370
Goodwill	483,630

Previously held investment in Slemon Park Corporation

Prior to the acquisition date, 55.5% of the shares in Slemon Park Corporation were held by 100417 P.E.I. Inc., a subsidiary of Finance PEI, a provincial Crown corporation. On the acquisition date, 100417 P.E.I. Inc. transferred their 55.5% interest to Island Investment Development Inc. at its original cost of $1. On that date, Island Investment Development Inc. recognized a gain of $2,980,349 arising from recognition of the fair value of the investment and presented it as a separate line item in the Statement of Comprehensive Income. The previously held investment is considered part of what was given up by the company to obtain control of Slemon Park Corporation. Accordingly, the fair value of the investment is included in the determination of goodwill.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $952,278, with a gross amount of $1,202,533. As of the acquisition date, the best estimate of the contractual cash flow not expected to be collected amounted to $250,255.

Goodwill

Goodwill recognized on the acquisition relates to expected growth and value which cannot be separately recognized as an intangible asset.

Slemon Park Corporation's contribution to operating results

As the acquisition date was at the end of the day on March 31, 2016, Slemon Park Corporation has not contributed to the consolidated results of Island Investment Development Inc. for the year ended March 31 2016. Had the acquisition occurred on April 1, 2015, Island Investment Development Inc.'s consolidated gross revenue for the year ended March 31, 2016 would have been $25,649,813 and the consolidated net earnings for the year would have been $11,302,022. These amounts have been determined by applying the same accounting policies.

18 Financial risk management objectives and policies

Island Investment Development Inc.'s principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Island Investment Development Inc. manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's notes receivable and marketable securities.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The company's maximum exposure to credit risk at the reporting date was:

	2016 $	2015 $
Cash	15,631,041	48,680,325
Marketable securities	63,412,094	65,707,353
Accounts receivable	1,341,155	125,344
Demand loan receivable	6,998,502	6,998,502
Notes receivable	138,886,132	143,639,950
Advances to related companies	1,462,768	202,896
Investment in private company	944,128	373,733
Restricted funds	176,145,736	130,153,190
	404,821,556	395,881,293

i) Notes receivable

For the notes receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Credit is approved by staff and the company's Board of Directors with loans in excess of $1 million requiring approval by Treasury Board. The company factors the financial strength of each borrower, the security which is available, their position in industry and past payment history when assessing all potential loans.

ii) Cash and marketable securities

Cash and marketable securities have a low credit risk exposure as the assets are high quality investments with low risk counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities, notes payable and to pay back any deposits under the Provincial Nominee Program as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	2016				
	Under 1 year $	**Between 1 - 2 years** $	**Between 2 - 5 years** $	**Over 5 years** $	**Total** $
Bank indebtedness	48,889	-	-	-	48,889
Accounts payable and accrued liabilities	4,256,397	-	-	-	4,256,397
Note payable	42,438,311	26,792,672	66,043,174	6,038,488	141,312,645
Restricted funds	176,145,736	-	-	-	176,145,736
	222,889,333	26,792,672	66,043,174	6,038,488	321,763,667

	2015				
	Under 1 year $	**Between 1 - 2 years** $	**Between 2 - 5 years** $	**Over 5 years** $	**Total** $
Accounts payable and accrued liabilities	1,284,096	-	-	-	1,284,096
Note payable	50,607,542	41,031,551	89,832,495	2,110,525	183,582,113
Restricted funds	130,153,190	-	-	-	130,153,190
	182,044,828	41,031,551	89,832,495	2,110,525	315,019,399

As at March 31, 2016, the company has $255,188,871 (2015 - $244,540,868) in cash and marketable securities that is readily available to be used to meet the cash outflows of the company's financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Price risk

The company is exposed to price risk because of the marketable securities held by the company that are classified as fair value through profit or loss. This company is not exposed to commodity price risk. To manage its price risk arising from marketable security is the company diversifies its portfolio.

(ii) Interest rate risk

The following table sets out the assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. For example, notes receivable are shown at contractual maturity but could prepay earlier.

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	Not interest rate sensitive $	Total $
Assets					
Cash	15,631,041	-	-	-	15,631,041
Marketable securities	63,412,094	-	-	-	63,412,094
Accounts receivable	-	-	-	1,341,155	1,341,155
Income taxes receivable	-	-	-	263,533	263,533
Prepaid expenses	-	-	-	71,514	71,514
Inventory	-	-	-	116,520	116,520
Demand loan receivable	6,998,502	-	-	-	6,998,502
Effective interest rate	1.13%				
Note receivable (net of allowance for losses)	22,683,778	91,103,525	23,345,226	1,753,603	138,886,132
Effective interest rate	4.11%	3.77%	2.07%		
Advances to related companies	-	-	-	1,462,769	1,462,769
Investment in private company	-	-	-	944,128	944,128
Deferred financing costs	-	-	-	2,775,406	2,775,406
Restricted funds	-	-	-	176,145,736	176,145,736
Lease inducement	-	-	-	9,669,000	9,669,000
Goodwill	-	-	-	483,630	483,630
Total assets	108,725,415	91,103,525	23,345,226	195,026,994	418,201,160
Liabilities and surplus					
Bank indebtedness	48,889	-	-	-	48,889
Accounts payable and accrued liabilities	-	-	-	4,256,397	4,256,397
Note payable	42,438,311	95,777,609	3,059,939	36,786	141,312,645
Restricted funds	30,738			176,114,998	176,145,736
Surplus	-	-	-	96,437,493	96,437,493
Total liabilities and surplus	42,517,938	95,777,609	3,059,939	276,845,674	418,201,160
Interest rate sensitivity gap	66,207,477	(4,674,084)	20,285,287	(81,818,680)	-

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management

The primary objective of Island Investment Development Inc.'s capital management is to ensure that it maintains a healthy financial position in order to support its business. Island Investment Development Inc. manages its capital structure and makes changes to it in light of changes in economic conditions.

Island Investment Development Inc.

Schedule of Property and Equipment

For the year ended March 31, 2016 **Schedule**

	Cost 2016			Accumulated amortization 2016				2016
	Beginning	Business combination	Ending	Beginning	Business combination	Amortization	Ending	Net book value
	$	$	$	$	$	$	$	$
Buildings and improvements	-	12,096,141	12,096,141	-	4,626,888	-	4,626,888	7,469,253
Motor vehicles	-	301,600	301,600	-	115,365	-	115,365	186,235
Pavement	-	525,709	525,709	-	201,089	-	201,089	324,620
Furniture and equipment	-	2,405,128	2,405,128	-	919,984	-	919,984	1,485,144
Computer equipment	-	329,962	329,962	-	126,214	-	126,214	203,748
	-	15,658,540	-	-	5,989,540	-	5,989,540	9,669,000